

1970

GRANISLE

Copper Limited

14th Annual Report

GRANISLE COPPER LIMITED

DIRECTORS

W. M. Colley	J. H. Hawke	R. M. MacRae
J. H. Colton	K. Kawakami	P. R. Matthew
M. A. Cooper	W. G. Lane	L. T. Postle
T. G. Ewart		R. R. Woolcott

OFFICERS

L. T. Postle	President
R. M. MacRae	Vice-President
P. R. Matthew	Vice-President
J. H. Colton	Secretary and Treasurer
J. D. Balden	Assistant Treasurer

MANAGER

G. B. Hardwicke

TRANSFER AGENT AND REGISTRAR

National Trust Company Limited
Vancouver, Winnipeg, Toronto and Montreal

SHARES LISTED

Toronto Stock Exchange
Vancouver Stock Exchange

AUDITORS

Peat, Marwick, Mitchell & Co.
Vancouver, British Columbia

HEAD OFFICE

1111 West Georgia Street, Vancouver
British Columbia

GRANISLE COPPER LIMITED

Vancouver, British Columbia
March 15, 1971.

To the Shareholders:

The Fourteenth Annual Report of your Company is presented herewith.

World copper prices reached a high of about 80¢ U.S. in March, 1970, and declined rapidly throughout the remainder of the year to a low of about 47¢ U.S. in December, 1970.

Although production was maintained at a satisfactory level in 1970, lower copper prices, together with higher income taxes and the negative effect of the revaluation of the Canadian dollar, resulted in sharply decreased earnings for the year compared with 1969.

Net Income for 1970 was \$4,809,684, or \$1.44 per share, compared with \$10,487,596 or \$3.15 per share, in 1969.

Dividends paid in 1970, at \$1.20 U.S. per share, totalled \$4,183,211.

Details of the Company's production for the year, compared with 1969, are as follows:

	1970	1969
Tons Ore Treated	2,391,161	2,329,857
Average Tons Treated per Day	6,551	6,383
Copper Content (%)	0.55	0.60
Tons Waste Removed	1,621,221	1,143,014

Saleable Metal Produced:

Copper (Lbs.)	22,791,847	24,080,828
Gold (Ounces)	10,545	15,166
Silver (Ounces)	94,777	135,792

Average Copper Price Received per Lb.	58.6¢	71.0¢
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In 1970, the diamond drilling program to investigate the area around the ore body and to determine its characteristic to depth was continued from the preceding year; drilling totalled 58,402 feet.

From the results of this drilling, ore reserves are calculated to be 89,600,000 tons containing 0.44% copper that can be mined at an ore to waste ratio of 1 to 1.2.

The substantial increase in ore reserves warrants consideration of an increase in plant capacity. Studies were commenced in mid-year to determine the most efficient ex-

GRANISLE COPPER LIMITED

panded plant design and cost estimates are being prepared so that the most profitable size and arrangement can be selected. }

It is expected that these matters can be settled at an early date so that construction could commence this summer with a probable completion late in 1972. }

An arrangement has been made for the Company to participate with The Granby Mining Company Limited in all new exploration projects in which that company is involved, commencing in 1971.

Continuous effort is applied towards maintaining plant and townsite facilities in good repair, and making additions and improvements to them whenever possible. The major item of capital expenditure in 1970 was the replacement of the original fleet of 35-ton trucks with new 50-ton trucks.

The Company has been advised that at December 31, 1970, The Granby Mining Company Limited held 2,223,706 shares of Granisle, or 66.8%. At December 31, 1970, Pacific Holding Corporation of Los Angeles, California, U.S.A., reported that it held 734,550 shares of Granby, or 50.9%.

During 1970, Mr. H. R. Malkin resigned as a Director, and Mr. Rene R. Woolcott, President and Chief Executive Officer of Pacific Holding Corporation, and Chairman of the Executive Committee and Director of The Granby Mining Company Limited, and Mr. Walter M. Colley, Senior Vice-President, Finance, and Director of Pacific Holding Corporation, and a Director of The Granby Mining Company Limited, were elected Directors of Granisle Copper Limited.

The Annual General Meeting of the Company will be held in the Hotel Vancouver, Vancouver, British Columbia, at 11:00 a.m., on Friday, April 23, 1971.

The loyalty and efficiency of the employees of the Company is herewith acknowledged by the Directors.

On behalf of the Board,

L. T. POSTLE,

President.

PEAT, MARWICK, MITCHELL & CO.,

CHARTERED ACCOUNTANTS

900 WEST HASTINGS STREET

VANCOUVER 1

BRITISH COLUMBIA

Auditors' Report to the Shareholders

We have examined the balance sheet of Granisle Copper Limited as of December 31, 1970 and the statements of earnings, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company at December 31, 1970 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PEAT, MARWICK, MITCHELL & CO.

Chartered Accountants

Vancouver, British Columbia

January 28, 1971

GRANISLE COPPER LIMITED

BALANCE SHEET

December 31, 1970

(With comparative figures for 1969)

ASSETS

	1970	1969
Current assets:		
Cash and short-term bank deposits	\$ 9,195,295	5,922,188
Accounts receivable	106,113	297,610
Metals in concentrates, at estimated realizable value . .	1,544,399	2,995,708
Materials and supplies, at cost	765,285	758,394
Prepaid expenses	22,305	29,224
Total current assets	11,633,397	10,003,124
Refundable power deposit	415,985	471,273
Property, plant and equipment, at cost (Note 2)	14,415,378	12,930,921
Less accumulated depreciation and depletion	4,355,438	3,318,260
Net property, plant and equipment	10,059,940	9,612,661
Mine development and pre-production expenditure, less amortization (Note 2)	417,487	895,453
	<u>\$22,526,809</u>	<u>20,982,511</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

	1970	1969
Current liabilities:		
Accounts payable and accrued charges	\$ 490,120	649,144
Income taxes payable	1,056,849	115,000
Total current liabilities	1,546,969	764,144
Deferred income taxes (Note 3)	135,000	—
Shareholders' equity:		
Capital stock:		
Shares of no par value. Authorized 4,000,000 shares; issued 3,329,919 shares	2,594,982	2,594,982
Retained earnings, per accompanying statement	18,249,858	17,623,385
Total shareholders' equity	20,844,840	20,218,367
	<u>\$22,526,809</u>	<u>20,982,511</u>

On behalf of the Board:

L. T. POSTLE, Director

R. M. MacRAE, Director

See accompanying notes to financial statements.

GRANISLE COPPER LIMITED

STATEMENT OF EARNINGS

Year ended December 31, 1970

(With comparative figures for 1969) (Note 6)

	1970	1969
Value of production of copper, gold and silver.	\$13,015,480	16,982,497
Cost of production, including administration.	5,432,876	5,095,178
Depreciation and depletion.	1,388,327	1,111,435
Amortization of pre-production expenditure.	477,966	477,966
Loss on U.S. Exchange due to revaluation of Canadian dollar (Note 4).	438,080	—
	<u>7,737,249</u>	<u>6,684,579</u>
Operating profit.	5,278,231	10,297,918
Investment and other income.	776,453	304,678
Earnings before income taxes.	6,054,684	10,602,596
Provision for income taxes (Note 3):		
Current.	1,110,000	115,000
Deferred.	135,000	—
	<u>1,245,000</u>	<u>115,000</u>
Net earnings for the year.	<u>\$ 4,809,684</u>	<u>10,487,596</u>
Net earnings per share.	<u>\$1.44</u>	<u>3.15</u>
Number of shares outstanding.	<u>3,329,919</u>	<u>3,329,919</u>

STATEMENT OF RETAINED EARNINGS

Year ended December 31, 1970

(With comparative figures for 1969)

	1970	1969
Balance at beginning of year.	\$17,623,385	12,457,702
Net earnings for the year.	4,809,684	10,487,596
	<u>22,433,069</u>	<u>22,945,298</u>
Deduct cash dividend of \$1.20 U.S. per share (\$1.25 U.S. and 25¢ Canadian in 1969).	4,183,211	5,321,913
Balance at end of year.	<u>\$18,249,858</u>	<u>17,623,385</u>

See accompanying notes to financial statements.

GRANISLE COPPER LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Year ended December 31, 1970

(With comparative figures for 1969)

	1970	1969
Funds provided by:		
Operations:		
Net earnings for the year.....	\$ 4,809,684	10,487,596
Depreciation, depletion and amortization.....	1,866,293	1,589,401
Deferred income taxes.....	135,000	—
Other.....	(112,245)	(20,044)
Funds provided by operations.....	6,698,732	12,056,953
Disposal of equipment.....	347,034	132,871
Reduction of non-current assets.....	55,288	197,071
Total funds provided.....	7,101,054	12,386,895
Funds applied to:		
Purchase of property, plant and equipment.....	2,070,395	1,373,686
Dividends paid.....	4,183,211	5,321,913
Total funds applied.....	6,253,606	6,695,599
Increase in working capital.....	847,448	5,691,296
Working capital at beginning of year.....	9,238,980	3,547,684
Working capital at end of year.....	\$10,086,428	9,238,980
Working capital:		
Current assets.....	\$11,633,397	10,003,124
Current liabilities.....	1,546,969	764,144
Working capital at end of year.....	\$10,086,428	9,238,980

See accompanying notes to financial statements.

GRANISLE COPPER LIMITED

NOTES TO FINANCIAL STATEMENTS

December 31, 1970

1. Conversion of United States currency:
Current assets in United States dollars have been converted into Canadian dollars at the rate of exchange prevailing at December 31, 1970.

2. Property, plant and equipment:
Particulars of the cost of the property, plant and equipment are as follows:

	December 31,	
	1970	1969
Mineral claims.	\$ 65,099	65,099
Land.	23,839	23,839
Mine buildings and equipment.	11,608,522	10,957,615
Mobile and other equipment.	2,717,918	1,884,368
	<u>\$14,415,378</u>	<u>12,930,921</u>

Depreciation of the mine buildings and equipment has been calculated on the straight-line method at 8% on cost. Depreciation of the mobile equipment has been calculated on the diminishing-balance method at 30%.

Amortization of pre-production expenditure has been calculated on the straight-line method at 20% and the balance of these costs will be fully amortized in 1971.

3. Income taxes:
The depreciation and amortization which will be claimed for income tax purposes will exceed the amount recorded in the accounts. The provision for deferred income taxes in 1970 would, under normal circumstances, have amounted to \$1,525,000. However, depreciation and amortization had been provided during the tax-free period which did not have to be claimed for income tax purposes and as a result the provision for deferred income taxes has been reduced by \$1,390,000 to \$135,000.

4. Loss on U.S. exchange:
On May 31, 1970, the Canadian dollar was unpegged and the effect of this revaluation was to reduce the value of the current assets in U.S. dollars at that date by \$438,080.

5. Administration:
Remuneration of directors and senior officers (as defined in the British Columbia Securities Act) amounted to \$126,220 in 1970 (\$113,681 in 1969).

6. Comparative figures:
The statement of earnings for the year ended December 31, 1969, as originally reported, has been restated where applicable to conform with the presentation used in the current year.

